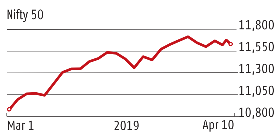
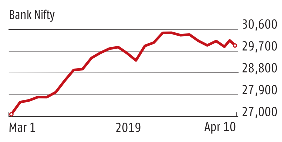
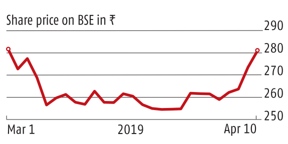
TODAY'S PICKS



Nifty
Current: **11,584** (fut: 11,653)
Target: **NA**
Stop-long positions at 11,550.
Stop-short positions at 11,725. Big moves could go till 11,500, 11,800.
A long Apr 18 11,500p (42), short 11,400p (21) could gain 10-15 depending on the electoral mood – overall trend looks negative.

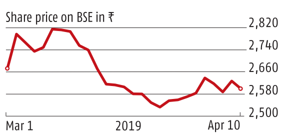
Nifty Bank
Current **29,803** (fut: 29,968)
Target: **NA**
Stop-long positions at 29,775.
Stop short positions at 30,125.
Big moves could go till 30,350, 29,650.
Trend seems negative.

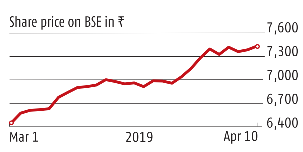




Wipro
Current price: **₹281**
Target price: **₹286**
Keep a stop at ₹279 and go long. Add to the position between ₹284 and ₹285.
Book profits at ₹286.

Hero Motor
Current price: **₹2,594**
Target price: **₹2,560**
Keep a stop at ₹2,620 and go short. Add to the position between ₹2,565 and ₹2,570.
Book profits at ₹2,560.





Bajaj FinServ
Current price: **₹7,423**
Target price: **₹7,305**
Keep a stop at ₹7,465 and go short. Add to the position between ₹7,315 and ₹7,335.
Book profits at ₹7,305

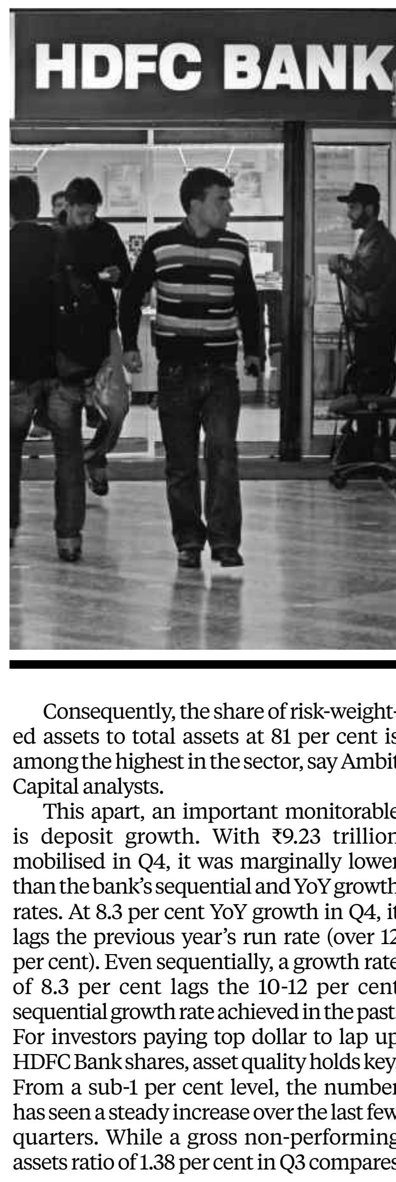
DEVANGSHU DATTA

Target prices, projected movements in terms of next session, unless otherwise stated

HDFC Bank: Street upbeat despite correction in scrip

Stock movement more of a reflection to KKR's stake sale, say analysts

HAMSINI KARTHIK
Mumbai, 10 April



Global investment firm KKR on Wednesday offloaded 0.42 per cent stake in HDFC Bank, at a price band of ₹2,219-2,287. At the lower end, this works to about 3 per cent discount to HDFC Bank's Tuesday's closing price of ₹2,287 apiece. The HDFC Bank stock corrected by over 2 per cent following the development. Experts said Wednesday's stock action for HDFC Bank was more of a reflection to KKR's sale price.

Meanwhile, the bank is also in the process of raising ₹50,000 crore of capital through a mix of debt instruments, over the next 12 months. While details of the fund infusion aren't known, analysts say the same will be closely watched, given the debt market is turning expensive globally. There are other moving parts for investors to keep track of, in the coming quarters (particularly the March quarter; Q4), given how important it has been historically for banks to gauge deposit and loan growth strength.

The recently published data on these parameters indicate that with an advances base of ₹8.19 trillion as on March 31, 2019, loan growth is still not an issue for the bank.

On a sequential and year-on-year (YoY) basis, its Q4 numbers are ahead of the respective benchmarks. However, what needs to be watched is the rising share of unsecured loans, something that stood out in Q3. Largely comprising personal loans and credit cards, the two segments expanded by over 30 per cent each, taking their share in the total loan portfolio to 17 per cent — an all-time high for these segments.

Consequently, the share of risk-weighted assets to total assets at 81 per cent is among the highest in the sector, say Ambit Capital analysts.

This apart, an important monitorable is deposit growth. With ₹9.23 trillion mobilised in Q4, it was marginally lower than the bank's sequential and YoY growth rates. At 8.3 per cent YoY growth in Q4, it lags the previous year's run rate (over 12 per cent). Even sequentially, a growth rate of 8.3 per cent lags the 10-12 per cent sequential growth rate achieved in the past. For investors paying top dollar to lap up HDFC Bank shares, asset quality holds key. From a sub-1 per cent level, the number has seen a steady increase over the last few quarters. While a gross non-performing assets ratio of 1.38 per cent in Q3 compares well against other private banks, it marginally breaches — on a stand-alone basis — the 10-year historic gross NPA average of 1.3 per cent. Much of the pain is from agricultural loans that have been under stress following waivers announced by various state governments. Analysts at Kotak say that as agriculture loans remain a key concern given they contribute a higher share to slippages, there is likely to be a more cautious approach during the election period.

Nonetheless, for investors, with HDFC Bank continuing to hold pole position, the Street isn't attributing much downside risks to these factors. While they remain important monitorables, 51 out of 55 analysts polled on Bloomberg retain a 'buy' recommendation on the stock, despite expensive valuations of four times its FY20 book.

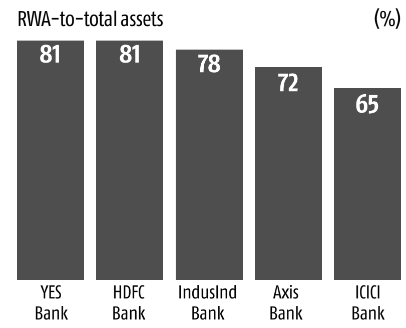
KEY GROWTH PARAMETERS

	Q4FY19	Q4FY18	Q3FY19	Growth YoY	Growth QoQ
Advances	8,195	6,583	7,810	24.5	4.9
Deposits	9,230	7,888	8,525	17.0	8.3
CASA (%)	42	43.5	40.7		

CASA: current account saving account, YoY: year-on-year; QoQ: quarter-on-quarter
Source: HDFC Bank

HDFC BANK VERSUS PEERS

RWA-to-total assets (%)



RWA: Risk-weighted assets
Source: Ambit Capital

FY20 sees best start for primary market in 3 years

DEEPAK KORGAONKAR & PUNEET WADHWA
Mumbai/New Delhi, 10 April

Financial year 2019-20 (FY20) has seen the best start for the primary market in three consecutive years.

The initial public offers (IPOs) of Metropolis Healthcare and Polycab India raised ₹2,550 crore in April alone this year on the back of a strong response from institutional investors. Fund mobilisation during April has been the highest in the last nine months as well (since July 2018) when two companies had raised ₹3,925 crore from the primary market. In April last year, not a single company hit the market to raise funds via this route. But in April 2017, the sole IPO of S Chand & Company had raised ₹728 crore.

As regards the recent offers, the qualified institutional buyers (QIBs) quota in Polycab India was over-subscribed 92 times while that in Metropolis Healthcare it was by nine times, exchange data shows. Analysts attribute this to a renewed buying interest by foreign portfolio investors (FPIs) in the secondary market where the S&P BSE Sensex and the Nifty50 hit their respective lifetime highs last week. In the last one month alone, both these indices have rallied 6 per cent and 5 per cent, respectively. FPIs have pumped in ₹38,018 crore ($5.5 billion) during this period.

"Investors will lap up issues that are attractively priced, have a good business model and clean management. Things have been improving for such companies (mid-and small-cap market segment) in the secondary market and these companies are also finding takers in the primary market as well," said G Chokkalingam, founder and managing director at Equinomics Research. Experts said the fundraising trend in the primary market will depend on how the secondary market performs in the backdrop of the outcome of the general elections and global cues.

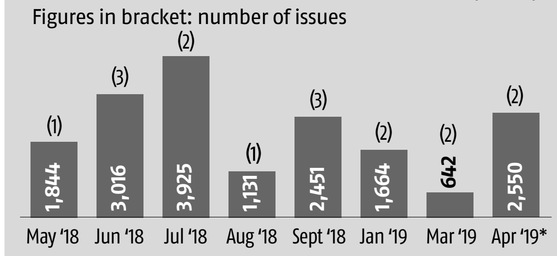
Pranav Haldea, managing director at PRIME Database, for instance, believes that election outcome will have a direct bearing on fundraising plans of companies. According to him, if the elections throw up a fractured mandate, companies are likely to allow their approval to lapse. A stable government, on the other hand, could see a flurry of IPOs being launched.

There are 64 companies that have Securities and Exchange Board of India's (Sebi's) approval to raise over ₹63,000 crore and another eight wanting to raise about ₹7,600 crore.

More on business-standard.com

GOOD BEGINING

Figures in bracket: number of issues (₹crore)



*Till April 9, 2019
Source: PRIME Database; Compiled by BS Research Bureau

Wipro board to consider share buyback proposal on April 16

DEBASIS MOHAPATRA
Bengaluru, 10 April

Information technology (IT) major Wipro on Wednesday said it would consider a buyback proposal in its next board meet scheduled on April 16. If the proposal is approved, this will be the third such buyback by the Bengaluru-headquartered firm.

"The board will consider a proposal for buyback of equity shares of the company at its meeting scheduled to be held on April 16, 2019," the company said in an exchange filing.

Earlier, in an order dated February 15, market regulator Securities and Exchange Board of India (Sebi) had given its go ahead to Wipro for its proposed buyback plan. The IT services company had sought relaxation in buyback norms from Sebi as an ongoing scheme of amalgamation is pending before the National Company Law Tribunal (NCLT).

Wipro had conducted a share buyback of ₹2,500 crore at ₹625 a share in April, 2016, which was followed by another such repurchase of ₹11,000 crore in September 2017. Though the share buyback amount is not specified by the company, some media reports have pegged it at around ₹12,000 crore.

Indian IT services companies are increasingly taking up the share buyback route to give back surplus cash to their shareholders. Tata Consultancy Services, Infosys and HCL are regularly conducting such programmes as part of their capital allocation policies.

PRIVATE EQUITY

KEY DEALS LAST WEEK

Investor & target	Stake (%)	Value ($ mn)
Baring Asia Private Equity[1] NIIT Technologies	56.2	707.9
B Capital Fund ,Visa Inc. Branch International Inc.	51	170.0
Intl Finance, Verlinvest SA Future Consumer	NA	40.4
ChrysCapital, nCubate Livguard Energy Tech	NA	31.8
India Resurgence Fund[2] Panacea Biotec	NA	18.4

[1]Includes: CreditEase Fintech Investment Fund, Foundation Capital, Andreessen Horowitz, Trinity Ventures, Formation 8, International Finance Corp.
[2]Includes: Piramal Enterprises
There were 19 PE deals worth $1.04 billion with 1 private equity exit in the last seven days ended April 10, 2019
Source: NewsCorp VCCEdge

Sequoia, Accel, Tiger Global invest $26 mn in CleverTap

Customer lifecycle management platform CleverTap has raised $26 million (₹179.4 crore) in a Series-B round of funding led by existing investor Sequoia Capital. US-based hedge fund and investment firm Tiger Global Management came in as a new investor while existing investor Accel also pumped money into CleverTap, the start-up said in a statement. CleverTap's behavioural and user engagement analytics platform allows businesses to find people, events and behaviour on their websites and apps. BS REPORTER

Naukri parent invests in ShoeKonnect, Gramophone

Info Edge (India) has invested again in online business-to-business footwear marketplace ShoeKonnect and agri-tech start-up Gramophone. The parent of jobs portal *Naukri.com* and Zomato said in separate stock filings it has invested ₹6 crore more in ShoeKonnect and ₹14 crore in Gramophone via compulsorily convertible preference shares. BS REPORTER

China's CDH Investments backs reseller platform GlowRoad

Women-focused reseller platform GlowRoad has raised ₹69 crore in a Series-B funding round led by Chinese alternative asset management firm CDH Investments. Existing investor Accel India also participated in the round, a report in Chinese technology news publication *36kr* said. The company will use the money to build its supply chain, and for business development. In September 2017, GlowRoad had secured ₹12.8 crore in Series-A funding from Accel Partners. BS REPORTER

Baring's IT services play gets a leg up

The PE firm's move to buy 30 per cent stake in NIIT Technologies is a reflection of this new trend in the infotech space

DEBASIS MOHAPATRA & NEHA ALAWADHI
Bengaluru, 10 April

As the IT services industry evolves, consolidation is becoming the name of the game in the mid-tier space.

Baring Private Equity (Asia)'s move to buy 30 per cent stake in NIIT Technologies is a reflection of this trend. As Baring's current portfolio has another mid-tier IT firm — Hexaware Technologies — industry experts are of the opinion that integrating these two companies could bring about the required scale and synergy.

"The IT industry is getting commoditised, and as a result, the consolidation process has been happening across the industry in recent years. We have seen many small companies converging in the past," said V Balakrishnan, chairman of Exfinity Venture Partners and former CFO and board member of Infosys. "So, in case of NIIT and Hexaware, it is a strong possibility in the coming years," he added.

TOP INVESTMENTS BY BARING PE*

Date	Company	Amount ($ mn)
Aug '13	Hexaware Technologies	448
May '15	CMS Info Systems	273
May '13	Lafarge India	256
Dec '12	Dabur India	64
Mar '12	Manappuram Finance	45

TOP EXITS*

Date	Company	Return multiple	Amount ($ mn)
Jun '15	Lafarge India	1.4x	306
Dec '16	Hexaware Technologies**	3.3x	180
Oct '15	Dabur India	2.5x	131
Oct '15	Cadila Healthcare	2.8x	52
Feb '17	Manappuram Finance**	3.2x	46

*(2012-2018) **Partial exit
Source : Venture Intelligence

Last Sunday, Baring Private Equity (Asia) and funds associated with it entered into an agreement to buy 30 per cent stake in the mid-sized IT firm for around ₹2,627 crore. As acquisition of more than 25 per cent stake triggers the mandatory open offer option, the fund house will also have to undergo this process to buy an additional 26 per cent stake from NIIT Tech's shareholders soon.

The deal came at a time when L&T mounted a takeover bid on another mid-tier IT services company, Mindtree, to acquire controlling stake in the firm. The engineering services firm has also given an indication that it may look at integrating Mindtree with its portfolio company, L&T Infotech, after both reach a certain scale.

"Both NIIT Tech and Hexaware have distinct capabilities. In case of NIIT Tech, the company has performed well with the new strategy of focusing on three verticals under its CEO Sudhir Singh. For Hexaware, apart from banking, financial services and insurance (BFSI), the IT firm has a sound presence in the manufacturing vertical as well," said Pareekh Jain of Pareekh Consulting. "Integration of both companies will depend on the performance of these two firms. If both continue to do well, then Baring may look at running them as independent entities," he added. In an earlier interview with *Business Standard*, Singh had said the company received commitment from Baring not to consolidate it with other portfolio companies for two years.

As pros and cons of a possible integration of these two firms are being weighed by Baring, many brokerage firms have said that consolidation would benefit both the IT companies. According to these firms, the combined revenue of NIIT Tech and Hexaware would be around $1 billion. So, both the firms can benefit from their complementary capabilities, in case of integration.

"Both Hexaware and NIIT Tech have strong presence in the BFSI vertical. For NIIT Tech, BFSI contributes around 45 per cent of its revenues, while the figure stands at 42 per cent for Hexaware," a report by Prabhudas Lilladher stated.

"However, potential synergies could exist in transportation, from which NIIT Tech draws around 26 per cent of revenues with marquee clients, and manufacturing, from where Hexaware draws around 15 per cent of revenue," the report added. With the acquisition of a stake in NIIT Tech, Baring and Baring Private Equity (Asia) have again shown their aggressiveness in the Indian IT services space.

Now, investors eye regional hospital chains

GINA KRISHNAN
New Delhi, 10 April

TOP EXITS IN HOSPITALS

Portfolio Company	PE Firm(s), Return multiple	Acquirer	Deal Amount ($M)
Care Hospitals	Advent International,2.07x	Abraaj Group	184
Apollo Hospitals	Apax Partners,2.80x	Open Market	180
Manipal Health Enterprises	TrueNorth,2.25x; Faering Capital,2.25x	Temasek Holdings	168
Medanta Medicity	Avenue Capital,4.31x	Carlyle	156
KIMS Hospital	ICICI Venture,2.78x	General Atlantic	89

Consolidation in health care is now taking place in regional hospitals.

Last week, Everstone bought a majority stake in Pune-based Sahyadri Hospitals, which runs eight hospitals spread across Pune, Nashik and Karad in Maharashtra with 871 beds.

A few others which could join the consolidation wave are Hyderabad-based Sunshine Hospitals (1,000 beds, four locations in Andhra Pradesh, Telangana and Odisha) and Punjab's multi-specialty Ivy Hospitals. Fosun International is said to be interested in Ivy Hospitals, which is spread across seven locations in Punjab.

Investors, both PE funds and hospital groups looking to expand reach, are eyeing regional chains with a sizeable footprint over a specific geography. One reason is that metros are saturated with national as well as smaller hospitals groups and nursing homes.

"Bulge bracket funds have already invested in larger hospital groups. KKR, TPG, Carlyle have invested in Max, Medanta, and Manipal already. Smaller funds look at strategic fit," said Ramesh Krishnan, an industry veteran and former CEO of Parkway, Chennai.

Regional hospital chains are attractive as they cater to a specific geography. "The face of care in the hospital is the doctor. Local doctors are familiar with disease patterns, empathises with patients and develop a long-term relationship with them," said an investor who has infused funds into one such hospital chain.

PE funds help them expand their reach. For example, Regency has five hospitals in Kanpur. PE firm Quadria Capital is helping Regency expand its footprint across Uttar Pradesh, Madhya Pradesh, Uttarakhand and parts of Chhattisgarh.

Land and construction cost is 20 per cent cheaper in smaller towns — a bed in tier-II or tier-III town may cost about Rs 80 lakh against Rs 1.25 crore in big cities — but it does not mean hospitals can break even faster. "Hospitals in a smaller town cannot charge the same price for OPD or surgeries as in a metro. So, break even for both centres would be over 6 to 7 years," said Sunil Thakur, director and CEO, Quadria Capital, which invested in 3-4 such hospital chains.

Hospital groups, too, are looking to consolidate. Radiant Life Care, which runs BLK Hospital in Delhi and Nanavati Hospital in Mumbai, acquired Max Healthcare. Manipal is looking to buy Medanta and IHH Berhad, the Malaysian Healthcare company, has bought Fortis, the second largest chain in India. Similarly, Aster DM Healthcare is looking to expand its footprint in India.

"Our model is to have large hospitals with 300-500 beds in major cities. If any opportunity comes up in the North, which is suited to our business model, we can consider it," said Azad Moopen, founder and chairman and managing director, Aster DM Healthcare. The firm works with an asset-light model where the land and building are on long-term lease hold or O&M contract while it runs the hospitals. But it is a prudent investor, looking for reasonable valuation.

The sweet spot is for 200-250 bedded tertiary care and multi-specialty hospitals offering a few specialties including cardiac care. "With this size, you can negotiate better terms for investments in technology and infrastructure," said Krishnan. Health care calls for higher investment and takes longer to break even.

In many cities, smaller nursing homes are finding it difficult to make money, and could be forced to sell or shut down. "Chennai had 350 registered nursing homes and hospitals. Majority of them were in the sub-50 bed category. At a point in time, they made money; not anymore," added Krishnan. With changes in rules, buying behaviour and cost structures, smaller hospitals have come under pressure.